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A CONCEPTUAL OVERVIEW ON MULTILEVEL MARKETING IN INDIA – PROBLEMS AND PROSPECTS.

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ABSTRACT

Multilevel Marketing (MLM) has emerged as a significant business model in India, offering avenues for entrepreneurship and self-employment. However, the sector faces challenges related to regulation, consumer protection, and market dynamics. This paper provides an in-depth analysis of MLM in India, examining its legal framework, associated challenges, and future prospects. The multilevel marketing (MLM) sector in India has grown considerably recently. Numerous Indian and international businesses become well-liked by the general public. People are drawn to these businesses because of their intriguing and appealing business models. As they treat them more like owners than employees, each business has a unique approach to luring them in. People's thoughts are all over the place on which company to join. Therefore, this article aims to identify the variables that motivate people to become entrepreneurs and join a specific multilevel marketing company.

KEYWORDS: *Multi level Marketing (MLM), Direct Selling &Network Marketing*

I. INTRODUCTION

Multilevel Marketing (MLM), also known as network marketing, involves selling products or services through a network of distributors who earn income not only from their sales but also from the sales made by their recruits. This model has gained popularity in India due to its low entry barriers and potential for income generation. However, the sector has been marred by controversies and legal challenges, leading to a complex regulatory landscape. This paper aims to provide a comprehensive overview of MLM in India, examining its legal framework, associated challenges, and future prospects.

MLM companies operate in a variety of industries, including health and nutrition, cosmetics and skin care, dinnerware and flatware, and consumer electronics. The best part about this business is that it is still growing and has no plans to stop. Each member receives a set amount based on sales and downline members. MLMs provide a fair return for all employees in the pyramid, and those at the top of the downline will surely have significant revenue potential. This business can also generate a limitless revenue, but it all depends on how intelligently you put your time, money, and effort. Working for an MLM organization makes you a self-made successful individual and an independent entrepreneur. You also unconsciously work hard to develop your personality. Your personality will naturally develop and your communication and management abilities will improve if you interact with people, speak up in meetings, manage your downline, retain your dignity, generate leads, and handle your website and email. discipline, constancy, concentration, self-assurance, and more (**Banerjee, A., & Banerjee, T,2022).**

II. EVOLUTION OF MULTILEVEL MARKETING IN INDIA

The MLM business model gained prominence in India during the 1990s with the entry of global brands like Amway, Oriflame, and Tupperware. These companies introduced the concept of direct selling, allowing individuals to sell products directly to consumers and earn commissions. Over time, Indian companies such as Modicare and Eureka Forbes adopted similar models, contributing to the growth of the MLM sector. The liberalization of the Indian economy further facilitated the expansion of MLM by providing a conducive environment for direct selling businesses (**Gaur, 2017).**

Due to low knowledge and a tiny network of participants, multilevel marketing (MLM) is not as well-known in India as it is in retail, despite its widespread use. is. It is sometimes confused with pyramid schemes (Sudhir, 2014). In many countries, including India, this practice is outlawed and strongly denounced. Marketing literature that focuses on this type of product sales is few. The risks of reducing multilevel marketing to illegal Ponzi schemes have been emphasized in a number of publications.

Nonetheless, it makes up a sizeable portion of India's retail sales and is expected to grow at a rapid rate of -13% (Shenoy, 2018), providing 5 million Indians with opportunities for self-employment. A practice description is essential at the outset (KPMG, undated). When selling directly, the company seeks consultants or direct salespeople who would purchase goods at a wholesale price. After being purchased for one's own use, goods are subsequently sold to other customers at market prices. The difference between wholesale and market prices is the direct seller's profit. The business offer is especially attractive to consultants because of another aspect of the sales strategy. Instead of allowing advisers to purchase goods at market pricing, the majority of multilevel marketing models use a referral system to persuade prospective advisor clients to become advisors. You may buy now. The practice of buying and selling goods directly and making money from the sales is also introduced.

The direct selling industry is growing quickly in Malaysia. The Ministry of Domestic Trade, Cooperatives, and Consumerism predicted that in 2012, the volume of direct sales will rise by

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20%. The Direct Selling Act of 1993 has been strengthened to safeguard prospective customers. There may be a larger urge to undertake multilevel marketing (MLM) in order to augment their income and preserve their desired modern lifestyle, especially among young people, as unemployment rises and real incomes in Malaysia decline. However, in the past, Ponzi scams and unethical pyramids that aim to make quick but unsustainable profits have plagued the MLM plan. This study aims to explore how young people's interest in multilevel marketing as a career is influenced by agent qualities and busi ness perceptions (Girish&Dipa,2015).

III. LEGAL AND REGULATORY FRAMEWORK

A. Consumer Protection (Direct Selling) Rules, 2021

The Consumer Protection (Direct Selling) Rules, 2021, were notified to regulate the direct selling industry and protect consumer interests. These rules prohibit the promotion of pyramid schemes and money circulation schemes under the guise of direct selling. They mandate direct selling entities to be incorporated under Indian laws, maintain a physical office in India, and establish a grievance redressal mechanism. Entities are also required to make self-declarations confirming compliance with the rules and ensure that their direct sellers are not involved in unfair trade practices.

B. Prize Chits and Money Circulation Schemes (Banning) Act, 1978

Prior to the enactment of the Direct Selling Rules, the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, was often applied to MLM operations. This Act prohibits money circulation schemes, which are defined as schemes promising quick or easy money through the enrolment of members. The application of this Act to MLM companies led to legal challenges and confusion regarding the legitimacy of the MLM business model.

C. Reserve Bank of India (RBI) Guidelines

The RBI has cautioned the public against MLM activities that promise easy or quick money upon enrolment of members. Acceptance of money under money circulation/MLM/Pyramid structures is considered a cognizable offence under the Money Circulation Act. These guidelines aim to protect consumers from fraudulent MLM schemes that operate outside the legal framework.

IV. CHALLENGES FACED BY THE MLM INDUSTRY IN INDIA

A. Legal and Regulatory Challenges

Despite the regulatory framework, MLM companies often face legal challenges due to:

- **Ambiguity in Regulations:** The distinction between legitimate MLM operations and illegal pyramid schemes can be unclear, leading to legal disputes.
- **State-Specific Regulations:** Different states may have varying regulations, complicating compliance for MLM companies operating nationwide.

B. Consumer Protection Issues

Consumers often face issues such as:

Misleading Claims: Exaggerated promises of high earnings can lead to consumer dissatisfaction and complaints.

Refund Difficulties: Some MLM companies may have unclear or unfair refund policies, leading to consumer grievances.

C. Reputation and Trust Issues

The MLM industry in India has been associated with fraudulent activities, leading to a negative public perception. High-profile cases, such as those involving Amway and QNet, have further tarnished the industry's image.

D. Market Dynamics

MLM companies face challenges related to:

- **Competition:** The direct selling industry is highly competitive, with many companies vying for the same customers and sales.
- **Market Saturation:** As the market matures, saturation becomes a concern. Companies need to innovate and differentiate themselves to stay relevant.
- **Product Availability:** Direct sellers face challenges regarding the availability of similar or better products through traditional retail channels and e-commerce websites. Direct-selling companies struggle to compete with established e-commerce platforms because they don't rely on discounts and offers like online models.

V. PROSPECTS OF MLM IN INDIA

A. Growing Middle Class and Digital Penetration

India's expanding middle class and increasing internet penetration provide a fertile ground for MLM companies to reach a larger audience. Digital platforms enable efficient communication and product distribution, enhancing business opportunities.

B. Government Initiatives for Regulation

The government's efforts to regulate the MLM sector through clear guidelines and consumer protection laws aim to foster a more transparent and ethical business environment.

C. Potential for Employment Generation

MLM offers flexible earning opportunities, which can be particularly beneficial in rural areas where traditional employment options may be limited.

D. Innovation and Adaptation

MLM companies that embrace innovation and adapt to changing market dynamics can thrive in the evolving business landscape. This includes leveraging digital tools, diversifying product offerings, and enhancing customer engagement strategies.

Advantages

- Independent
- International Business -Operated globally and made possible by internet, allow their distributors sponsor people in other countries.
- Freedom of Time and Location
- Personal Development- learn skills as mentoring, coaching, how to relate with others.

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- Portability-by accessing internet continue to do business while you are in another country or city.
- Free Training regarding business plan strategy in most cases.
- It was secure because of its safe control in limited hands.
- Unauthorized access was not possible.

Disadvantages

- Less accuracy.
- Not reliable.
- This makes the process very expensive at its running cost.
- Sharing of data was not possible.

CONCLUSION

Multilevel Marketing in India presents both opportunities and challenges. While the sector has the potential to contribute to economic growth and employment, it requires stringent regulatory oversight to protect consumers and ensure ethical business practices. A collaborative effort between the government, industry stakeholders, and consumers is essential to harness the benefits of MLM while mitigating its risks. Lastly, we think that experimental evaluation can teach us a lot, and that working with recommendations can even help us improve our communication skills. With a solid business plan, multilevel marketing (MLM) can transform our company's earnings from lakhs to crores and beyond. And that profit has an impact on our nation's future. Because it gives everyone the possibility to become a successful self-employed business with the flexibility to win and little loss, direct sales have grown in popularity. In India, network marketing has a bright future. After a few years, network marketing is the company that allows others to fulfill their dreams. ebiz.com pvt. Ltd. is one of the greatest network marketing companies in India. Additionally, we create analytical software to find defects sooner. After calculating the number of members and their packages, analytical software provides us with the overall payout amount in order to prevent members from ultimately suffering.

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